Mthonjaneni Local Municipality
(Registration number KZN 285)
Annual Financial Statements
for the year ended 30 June 2017

General Information

Mayoral committee	
Executive Mayor	Cllr S.B.K Biyela (Mayor)
	Clllr N.A Jiyane (Speaker)
Councillors	Cllr P.E Ntombela (Deputy Mayor)
	Cllr D.M Dludla (Exco Member)
	Cllr E. Masikane (Exco Member)
	Cllr M.J Xulu (Exco Member)
	Cllr H.K.L Zungu
	Cllr M.E Zulu
	Cllr Z.A Sibiya
	Cllr M.S Zulu
	Cllr E.M Mthembu
	Cllr M.N Dlangamandla
	Cllr M.V Mchunu
	Cllr T.F Zincume
	Cllr J Mlawu
	Cllr D.F Xulu
	Cllr B.N Zwane
	Cllr T.E Mpungose
	Cllr P.S.M Mchunu
	Cllr N.N Nzuza
	Cllr S. P Buthelezi
	Cllr B.M.T Sibiya
	Cllr D.M.O Ngcobo
	Cllr N.P Shobede
Accounting Officer	Mr P.P Sibiya
Chief Finance Officer (CFO)	Mr K.N Mthethwa
Registered office	Mthonjaneni Municipality
Business address	21 Reinhold Street Melmoth 3835
Postal address	P.O.Box 11 Melmoth 3835
Auditors	Auditor General Chartered Accountants (S.A.) Registered Auditors
Attorneys	BMM Attorneys
Bankers	First National Bank

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that salaries, allowances and benefits of Councillors, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. 4.

The annual financial statements set out on pages 4 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2017 and were signed on its behalf by:

Mr P.P Sibiya
Municipal Manager

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	9	418 947	459 636
Receivables from non-exchange transactions	10	23 194 475	18 956 302
VAT receivable	11	3 823 020	987 522
Consumer debtors	12	4 283 288	4 435 485
Cash and cash equivalents	13	25 997 366	42 470 320
		57 717 096	**67 309 265**
Non-Current Assets			
Biological Assets	3	2 792 956	2 661 916
Investment property	4	2 326 763	2 367 591
Property, plant and equipment	5	281 254 352	187 606 091
Intangible assets	6	80 892	98 998
Heritage assets	7	589	589
		286 455 552	**192 735 185**
Total Assets		**344 172 648**	**260 044 450**
Liabilities			
Current Liabilities			
Trade and other payables	16	13 519 293	8 591 142
Consumer deposits	17	1 051 611	1 025 890
Unspent conditional grants and receipts	14	17 134	176 776
Provisions	15	579 121	409 492
		15 167 159	**10 203 300**
Non-Current Liabilities			
Employee benefit obligation	8	2 740 001	2 544 047
Provisions	15	4 639 206	4 667 747
		7 379 207	**7 211 794**
Total Liabilities		**22 546 366**	**17 415 094**
Net Assets		**321 626 282**	**242 629 356**
Accumulated surplus		321 629 999	242 629 357

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	20	19 889 514	20 521 760
Rental of facilities and equipment	33	228 853	247 045
Licences and permits		1 923 226	2 070 427
Other income	23	4 484 554	964 392
Interest received - investment	29	2 176 370	3 283 879
Total revenue from exchange transactions		**28 702 517**	**27 087 503**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	9 829 072	9 722 820
Property rates - penalties imposed	19	1 045 586	728 329
Transfer revenue			
Government grants & subsidies	21	108 783 058	65 702 359
Fines, Penalties and Forfeits		31 617 600	24 308 963
Total revenue from non-exchange transactions		**151 275 316**	**100 462 471**
Total revenue	18	**179 977 833**	**127 549 974**
Expenditure			
Employee related costs	25	(33 194 693)	(24 982 176)
Remuneration of councillors	26	(6 440 619)	(3 168 003)
Depreciation and amortisation	31	(14 436 807)	(5 808 916)
Repairs and maintenance	35	(8 422 756)	(7 776 346)
Bulk purchases	36	(20 096 022)	(19 079 101)
Contracted services	34	(5 069 699)	(2 159 221)
General Expenses	24	(68 042 861)	(44 559 682)
Total expenditure		**(155 703 457)**	**(107 533 445)**
Operating surplus		**24 274 376**	**20 016 529**
Fair value adjustments	30	197 961	397 381
Actuarial gains/losses	8	(195 954)	18 953
Gain from transfer of functions between entities not under common control	38	54 720 546	-
		54 722 553	**416 334**
Surplus for the year		**78 996 929**	**20 432 863**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**222 196 494**	**222 196 494**
Changes in net assets		
Surplus for the year	20 432 863	20 432 863
Total changes	20 432 863	20 432 863
Balance at 01 July 2016	**242 633 070**	**242 633 070**
Changes in net assets		
Surplus for the year	78 996 929	78 996 929
Total changes	78 996 929	78 996 929
Balance at 30 June 2017	**321 629 999**	**321 629 999**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Taxation		7 968 497	6 331 298
Sale of goods and services		64 932 430	22 331 422
Grants		108 623 416	90 546 549
Interest income		2 176 370	3 283 879
		183 700 713	122 493 148
Payments			
Employee costs		(39 635 312)	(28 150 180)
Suppliers		(52 571 401)	(67 503 953)
		(92 206 713)	(95 654 133)
Net cash flows from operating activities	37	**91 494 000**	**26 839 015**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(108 692 185)	(33 620 731)
Proceeds from sale of property, plant and equipment	5	746 836	-
Purchase of other intangible assets	6	(36 563)	(6 999)
Proceeds from sale of other intangible assets	6	14 962	-
Net cash flows from investing activities		**(107 966 950)**	**(33 627 730)**
Net increase/(decrease) in cash and cash equivalents		**(16 472 950)**	**(6 788 715)**
Cash and cash equivalents at the beginning of the year		42 470 320	49 259 035
Cash and cash equivalents at the end of the year	13	**25 997 370**	**42 470 320**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges		23 788 373	(444 894)	**23 343 479**	19 889 514	**(3 453 965)**
Rental of facilities and equipment		506 609	(271 237)	**235 372**	228 853	**(6 519)**
Licences and permits		2 516 440	-	**2 516 440**	1 923 226	**(593 214)**
Other income		1 287 105	16 504 986	**17 792 091**	4 484 554	**(13 307 537)**
Interest received - investment		3 146 080	-	**3 146 080**	2 176 370	**(969 710)**
Total revenue from exchange transactions		**31 244 607**	**15 788 855**	**47 033 462**	**28 702 517**	**(18 330 945)**
Revenue from non-exchange transactions						
Taxation revenue						
Property rates		9 320 506	561 800	**9 882 306**	9 829 072	**(53 234)**
Property rates - penalties imposed		580 017	-	**580 017**	1 045 586	**465 569**
Transfer revenue						
Government grants & subsidies		104 570 800	(5 320 800)	**99 250 000**	108 783 058	**9 533 058**
Fines, Penalties and Forfeits		20 000 000	2 809	**20 002 809**	31 617 600	**11 614 791**
Total revenue from non-exchange transactions		**134 471 323**	**(4 756 191)**	**129 715 132**	**151 275 316**	**21 560 184**
Total revenue		**165 715 930**	**11 032 664**	**176 748 594**	**179 977 833**	**3 229 239**
Expenditure						
Personnel	(42 316 575)	(15 525)	**(42 332 100)**	(33 194 693)	**9 137 407**	
Remuneration of councillors	(6 107 445)	(802 247)	**(6 909 692)**	(6 440 619)	**469 073**	
Depreciation and amortisation	(3 700 000)	-	**(3 700 000)**	(14 436 807)	**(10 736 807)**	
Repairs and maintenance	(10 131 194)	(314 332)	**(10 445 526)**	(8 422 756)	**2 022 770**	
Bulk purchases	(22 303 985)	-	**(22 303 985)**	(20 096 022)	**2 207 963**	
Contracted Services	(3 073 326)	(2 157 818)	**(5 231 144)**	(5 069 699)	**161 445**	
General Expenses	(51 267 196)	(8 645 977)	**(59 913 173)**	(68 240 822)	**(8 327 649)**	
Total expenditure	**(138 899 721)**	**(11 935 899)**	**(150 835 620)**	**(155 901 418)**	**(5 065 798)**	
Operating surplus	**26 816 209**	**(903 235)**	**25 912 974**	**24 076 415**	**(1 836 559)**	
Fair value adjustments		-	-	**-**	197 961	**197 961**
Actuarial gains/losses		-	-	**-**	(195 954)	**(195 954)**
		-	**-**	**-**	**2 007**	**2 007**
Surplus before taxation	**26 816 209**	**(903 235)**	**27 424 098**	**24 078 422**	**(1 834 552)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		**26 816 209**	**(903 235)**	**27 424 098**	**24 078 422**	**(1 834 552)**

For explanations of variances between the budget and actual figures please refer to note 49.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	9 900 523	561 800	10 462 323	-		10 462 323	10 874 658		412 335	4 %	4 %
Service charges	23 788 372	(444 894)	23 343 478	-		23 343 478	19 889 514		(3 453 964)	15 %	15 %
Investment revenue	3 146 080	-	3 146 080	-		3 146 080	2 176 370		(969 710)	31 %	31 %
Transfers recognised - operational	77 171 800	(5 320 800)	71 851 000	-		71 851 000	71 384 058		(466 942)	1 %	1 %
Other own revenue	24 918 043	17 066 196	41 984 239	-		41 984 239	38 452 194		(3 532 045)	8 %	14 %
Total revenue (excluding capital transfers and contributions)	**138 924 818**	**11 862 302**	**150 787 120**	**-**		**150 787 120**	**142 776 794**		**(8 010 326)**	**95 %**	**103 %**
Employee costs	(42 316 575)	(15 525)	(42 332 100)	-	-	(42 332 100)	(33 194 693)	-	9 137 407	22 %	22 %
Remuneration of councillors	(6 107 445)	(802 247)	(6 909 692)	-	-	(6 909 692)	(6 440 619)	-	469 073	7 %	8 %
Depreciation and asset impairment	(3 700 000)	-	(3 700 000)			(3 700 000)	(14 436 807)	-	(10 736 807)	290 %	290 %
Materials and bulk purchases	(32 435 179)	(314 332)	(32 749 511)	-	-	(32 749 511)	(20 096 022)	-	12 653 489	39 %	39 %
Other expenditure	(54 340 522)	(10 755 297)	(65 095 819)	-	-	(65 095 819)	(68 240 822)	-	(3 145 003)	5 %	6 %
Total expenditure	**(138 899 721)**	**(11 887 401)**	**(150 787 122)**	**-**	**-**	**(150 787 122)**	**(142 408 963)**	**-**	**8 378 159**	**94 %**	**103 %**
Surplus/(Deficit)	**25 097**	**(25 099)**	**(2)**	**-**		**(2)**	**367 831**		**367 833**	**391 550)%**	**1 466 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	27 399 000	-	27 399 000	-		27 399 000	37 399 000		10 000 000	36 %	36 %
Surplus (Deficit) after capital transfers and contributions	**27 424 097**	**(25 099)**	**27 398 998**	**-**		**27 398 998**	**37 766 831**		**10 367 833**	**138 %**	**138 %**
Surplus/(Deficit) for the year	**27 424 097**	**(25 099)**	**27 398 998**	**-**		**27 398 998**	**37 766 831**		**10 367 833**	**138 %**	**138 %**
Capital expenditure and funds sources											
Total capital expenditure	(34 241 576)	(18 413 024)	(52 654 600)	-		(52 654 600)	(37 339 000)		15 315 600	36 %	36 %
Cash flows											
Net cash from (used) operating	27 423 610	1 141 084	28 564 694	-		28 564 694	91 494 000		62 929 306	220 %	229 %
Net cash from (used) investing	(34 241 576)	(15 833 398)	(50 074 974)	-		(50 074 974)	(107 966 950)		(57 891 976)	116 %	169 %
Net increase/(decrease) in cash and cash equivalents	**(6 817 966)**	**(14 692 314)**	**(21 510 280)**	**-**		**(21 510 280)**	**(16 472 950)**		**5 037 330**	**77 %**	**242 %**
Cash and cash equivalents at the beginning of the year	42 470 320	-	42 470 320	-		42 470 320	42 470 320		-	100 %	100 %
Cash and cash equivalents at year end	**35 652 354**	**(14 692 314)**	**20 960 040**	**-**		**20 960 040**	**25 997 370**		**(5 037 330)**	**24 %**	**14 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Biological Assets

The entity recognises a biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological Assets are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets is included in surplus or deficit for the period in which it arises.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years
Air-conditioners	15 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indifinate useful life.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. All assets that qualify as minor assets are depreciated in full in the year in which they were acquired.

The useful lives of items of property, plant and equipment have been assessed as follows:

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
• Land		Indefinate
Buildings	Straight line	
• Dwellings		30 Years
• Carports		15 years
• Fence		25 years
Plant and machinery	Straight line	
• Machinery		4 Years
Furniture and fixtures	Straight line	
• Furniture		7 Years
Motor vehicles	Straight line	
• Sedan Motor Vehicle		7 Years
• Bakkies/ Double Cab		10 Years
• Trailers/ TLB		10 Years
Office equipment	Straight line	
• Computer Equipment		10 Years
IT equipment	Straight line	
• Computer Hardware		5 Years
• IT Network		7 Years
Infrastructure	Straight line	
• Dwellings		30 Years
• Bus shelters		15 Years
• Transformers		50 Years
• Cables		45 Years
• Line Overheads		30 Years
• Feeder Panel		40 Years
• Festive Lights		10 Years
• Asphalt Paved Roads		20 Years
• Asphalt Surfaced Roads		50 Years
• Unpaved Roads		30 Years
• Landfill Site		50 Years
Community	Straight line	
• Non Residential Buildings		30 Years
• Cemetries		15 Years
• Cemetry Parking		30 Years
Other property, plant and equipment	Straight line	
• Stoves		10 Years
• Street Lights		40 Years
Other equipment	Straight line	
• Advertising Equipment		10 Years
• Traffic Equipment		7 Years
• Speed Equipment		5 Years

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

1.6 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
• Licenses		10 Years
Computer software , other		5 Years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.7 Intangible assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

1.8 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;

Accounting Policies

1.8 Financial instruments (continued)

- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.9 Statutory receivables (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

Accounting Policies

1.11 Construction contracts and receivables (continued)

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.12 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.15 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest, similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Transfer of functions between entities not under common control

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

(a) identifying the acquirer;

(b) determining the acquisition date;

(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and

(d) recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which the municipality obtains control of the acquiree.

Initial recognition

As of the acquisition date, the acquirer shall recognise, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

At the acquisition date, the municipality shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality shall make those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date

The municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

Subsequent measurement

In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations :

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	Unlikely there will be a material impact
• GRAP 18: Segment Reporting	01 April 2017	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Grap 105 : Transfer of function between entities under common control. Grap 107 Mergers	Effective date: Years beginning on or after 01 April 2015	Expected impact: The standards will have no impact on the operations of the municipality

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Biological Assets

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Plants	2 792 956	-	2 792 956	2 661 916	-	2 661 916

Reconciliation of biological assets - 2017

	Opening balance	**Gains or losses arising from changes in fair value**	**Impairment loss**	**Total**
Plants	2 661 916	197 961	(66 921)	2 792 956

Reconciliation of biological assets - 2016

	Opening balance	**Gains or losses arising from changes in fair value**	**Total**
Plants	2 264 535	397 381	2 661 916

4. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	2 742 760	(415 997)	2 326 763	2 742 760	(375 169)	2 367 591

Reconciliation of investment property - 2017

	Opening balance	**Depreciation**	**Total**
Investment property	2 367 591	(40 828)	2 326 763

Reconciliation of investment property - 2016

	Opening balance	**Depreciation**	**Total**
Investment property	2 408 420	(40 829)	2 367 591

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	2 647 976	-	2 647 976	2 562 011	-	2 562 011
Buildings	94 030 369	(17 216 732)	76 813 637	49 060 255	(10 084 804)	38 975 451
Infrastructure	126 395 187	(13 776 919)	112 618 268	126 467 565	(10 364 036)	116 103 529
Other property, plant and equipment	20 567 901	(7 789 644)	12 778 257	13 428 124	(6 488 458)	6 939 666
Assets under construction	76 396 214	-	76 396 214	23 025 434	-	23 025 434
Total	**320 037 647**	**(38 783 295)**	**281 254 352**	**214 543 389**	**(26 937 298)**	**187 606 091**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposal cost	Transfers	Depreciation	Disposal - Accumulated depreciation	Total
Land	2 562 011	85 965	-	-	-	-	-	2 647 976
Buildings	38 975 451	1 410 810	34 887 776	(87 384)	8 771 379	(7 161 039)	16 644	76 813 637
Infrastructure	116 103 529	72 000	-	(144 378)	-	(3 509 839)	96 956	112 618 268
Other property, plant and equipment	6 939 666	4 657 162	5 328 352	(2 953 698)	107 961	(3 626 209)	2 325 023	12 778 257
Assets under construction	23 025 434	54 390 734	7 859 386	-	(8 879 340)	-	-	76 396 214
	187 606 091	**60 616 671**	**48 075 514**	**(3 185 460)**	**-**	**(14 297 087)**	**2 438 623**	**281 254 352**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Total
Land	2 562 011	-	-	-	2 562 011
Buildings	32 942 827	20 398	7 481 876	(1 469 650)	38 975 451
Infrastructure	90 463 413	395 950	28 181 885	(2 937 719)	116 103 529
Other property, plant and equipment	7 266 843	1 000 222	-	(1 327 399)	6 939 666
Assets under construction	26 485 034	32 204 161	(35 663 761)	-	23 025 434
	159 720 128	**33 620 731**	**-**	**(5 734 768)**	**187 606 091**

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	23 025 434	23 025 434
Additions/capital expenditure	53 370 780	53 370 780
	76 396 214	**76 396 214**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	26 485 033	26 485 033
Additions/capital expenditure	32 216 628	32 216 628
Transferred to completed items	(35 663 761)	(35 663 761)
	23 037 900	**23 037 900**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

6. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	223 263	(142 371)	80 892	218 543	(119 545)	98 998

Reconciliation of intangible assets - 2017

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Disposal - Accumulated depreciation**	**Total**
Computer software, other	98 998	36 563	(31 843)	(39 707)	16 881	80 892

Reconciliation of intangible assets - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	125 317	6 999	(33 318)	98 998

7. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2017

	Opening balance	**Total**
Historical monuments	589	589

Reconciliation of heritage assets 2016

	Opening balance	**Total**
Historical monuments	589	589

8. Employee benefit obligations

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased. This recommendation is presently being implemented.

The plan is a post employment medical benefit plan.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

8. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 544 047	2 563 000
Net expense recognised in the statement of financial performance	195 954	(18 953)
	2 740 001	**2 544 047**

Net expense recognised in the statement of financial performance

Current service cost	224 791	168 000
Interest cost	247 141	239 000
Actuarial (gains) losses	(158 978)	(355 953)
Expected return on reimbursement rights	(117 000)	(70 000)
	195 954	**(18 953)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(195 954)	(18 953)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,16 %	9,76 %
Medical cost trend rates	8,75 %	8,75 %
Expected increase in salaries	0,93 %	0,93 %
Expected pension increases	6,19 %	6,19 %
Proportion of employees opting for early retirement	3,37 %	3,37 %

9. Inventories

Consumable stores	353 814	166 232
Maintenance materials	65 133	293 404
	418 947	**459 636**

10. Receivables from non-exchange transactions

Fines	13 356 290	10 695 188
Consumer debtors - Rates	9 838 185	8 261 114
	23 194 475	**18 956 302**

Reconciliation of receivables from non-exchange transactions (Rates):

Gross balance	12 290 320	8 391 860
Allowance for impairment	(2 838 110)	(579 398)
Net balance	**9 452 210**	**7 812 462**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Receivables from non-exchange transactions (continued)

Rates: Ageing		
Current (0-30 days)	-	380 194
31 -60 days	25 937	432 038
61-90 days	474 777	411 090
91-120 days	459 512	395 385
121-365 days	11 330 094	6 773 153
Allowance for impairment	-	(579 398)
	12 290 320	**7 812 462**

Reconciliation of allowance for impairment (Rates)		
Balance at the beginning of the year	(579 398)	(274 660)
Contribution during the year	(2 258 712)	(304 738)
	(2 838 110)	**(579 398)**

Reconciliation of receivables from non-exchange transactions (Traffic fines)		
Gross balance	83 476 816	55 992 036
Provision for impairment	(70 120 526)	(45 296 848)
Net balance	**13 356 290**	**10 695 188**

Reconciliation of allowance for debt impairment (Traffic fines)		
Opening balance	(45 296 848)	(24 116 146)
Contribution during the year	(24 823 678)	(21 180 702)
	(70 120 526)	**(45 296 848)**

The municipality has one traffic fine billing system. TMT is the outsourced service provider which is responsible for the system used to issue fines for speed traffic offenders. The municipality has two types of fines: spot fines and summonses. Both TMT and the municipality work closesly with Magistrates court to ensure the accurate recording of the status of fines (including the statuses of summons, appeals, fine withdrawn, etc). Monies collected by the Magistrates are transferred to the municipality's bank account.

11. VAT receivable

VAT	3 823 020	987 522

12. Consumer debtors

Gross balances		
Electricity	3 560 441	3 621 271
Refuse	1 315 544	920 437
Other Debtors	100 915	95 155
	4 976 900	**4 636 863**

Less: Allowance for impairment		
Electricity	(334 276)	(85 705)
Refuse	(359 336)	(115 673)
	(693 612)	**(201 378)**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Consumer debtors (continued)

Net balance		
Electricity	3 226 165	3 535 566
Refuse	956 208	804 764
Other Debtors	100 915	95 155
	4 283 288	**4 435 485**

Included in above is receivables from exchange transactions		
Electricity	3 226 165	3 535 566
Refuse	956 021	804 764
Other Debtors	100 915	62 156
	4 283 101	**4 402 486**

Net balance	**4 283 101**	**4 402 486**

Electricity		
Current (0 -30 days)	1 738 805	2 336 253
31 - 60 days	442 950	153 586
61 - 90 days	83 460	97 363
91 - 120 days	54 741	58 549
121 - 365 days	906 209	889 815
	3 226 165	**3 535 566**

Refuse		
Current (0 -30 days)	83 123	168 927
31 - 60 days	62 120	37 259
61 - 90 days	26 766	33 622
91 - 120 days	24 079	32 123
121 - 365 days	760 120	532 833
	956 208	**804 764**

Other (specify)		
Current (0 -30 days)	100 915	95 155

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Consumer debtors (continued)

Total Ageing

Total		
Current (0 -30 days)	2 145 757	2 584 697
31 - 60 days	604 318	200 970
61 - 90 days	138 060	138 877
91 - 120 days	101 027	97 172
121 - 365 days	1 987 551	1 582 148
	4 976 713	4 603 864
Less: Allowance for impairment	(693 425)	(168 379)
	4 283 288	**4 435 485**

Less: Allowance for impairment		
Current (0 -30 days)	(160 918)	(71 495)
31 - 60 days	(18 728)	(10 125)
61 - 90 days	(16 646)	(7 892)
91 - 120 days	(13 872)	(6 500)
121 - 365 days	(483 448)	(105 366)
	(693 612)	**(201 378)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(201 378)	(80 061)
Contributions to allowance	(492 234)	(121 317)
	(693 612)	**(201 378)**

Summary of debtors by consumer classification

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Consumer debtors (continued)

Consumers		
Current (0 - 30) days	563 805	260 400
31 - 60 days	328 111	189 598
61 - 90 days	332 713	133 129
91 - 120 days	305 248	121 149
121 - 365 days	4 402 821	2 456 180
Allowances for impairment	-	(780 777)
	5 932 698	**2 379 679**
Commercial/Industrial		
Current (0-30 days)	838 192	159 958
31 - 60 days	260 099	238 132
61 - 90 days	119 391	196 477
91 - 120 days	109 945	166 392
121 - 365 days	1 843 931	2 582 342
	3 171 558	**3 343 301**
National and Provincial Government		
Current (0- 30 days)	131 395	81 784
31 - 60 days	56 823	145 894
61- 90 days	119 758	137 431
91 - 120 days	106 352	123 984
121 - 365 days	4 024 848	2 314 655
	4 439 176	**2 803 748**
Agriculture		
Current (0 - 30) days	11 166	3 783
31 - 60 days	6 299	75 991
61 - 90 days	32 688	75 696
91 - 120 days	30 896	74 960
121 - 365 days	1 707 723	2 191 373
	1 788 772	**2 421 803**
Vacant land		
Current (0 - 30) days	485	417
31 - 60 days	3 954	10 315
61 - 90 days	8 288	7 233
91- 120 days	8 098	6 072
121 - 365 days	591 279	465 023
	612 104	**489 060**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	244	746
Bank balances	9 472 623	1 825 909
Short-term investment	16 524 499	40 643 665
	25 997 366	**42 470 320**

Cash and cash equivalents include a bank balance from Ntambanana split of	5 715 430	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

13. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral. An amount of R 1 540 000 is used as a guarantee to Eskom in relation to electricity supply. The amount will be payable to Eskom should the municipality fail to pay for its electricity consumption.	1 540 000	1 540 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
First National Bank - Current (Main) - 54980006117	3 669 170	1 749 594	5 689 772	3 757 192	1 816 559	5 794 585
First National Bank - Current-62330092470	66 995	9 350	10 000	66 995	9 350	10 000
Investec Bank - call account 110-435097-501	11 099 769	10 056 219	16 082 877	11 099 769	10 056 219	16 082 877
First National Bank - Fixed deposit 71245040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - call account 62051262146	499 543	499 543	499 556	499 543	499 543	499 556
Ned Bank - Fixed deposit 03/7881083174/000010	-	-	25 331 336	-	-	25 331 336
First National Bank - Call account 62532063204	3 385 187	3 172 964	-	3 385 187	3 172 964	-
Investec bank - Wholesale deposit 1100-435097-451	-	25 374 938	-	-	25 374 938	-
Bank balance Ntambanana Split	5 715 430	-	-	5 715 430	-	-
Total	**25 976 094**	**42 402 608**	**49 153 541**	**26 064 116**	**42 469 573**	**49 258 354**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
COGTA	17 134	176 776

Movement during the year

Balance at the beginning of the year	176 776	295 135
Additions during the year	-	26 621 000
Income recognition during the year	(159 642)	(26 739 359)
	17 134	**176 776**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	3 545 585	(388 379)	3 157 206
Provision for Bonuses	409 492	169 629	579 121
Long Service Awards	1 122 162	359 838	1 482 000
	5 077 239	**141 088**	**5 218 327**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	1 183 527	2 362 058	-	-	3 545 585
Provision for Bonuses	485 657	188 738	(264 903)	-	409 492
Long Service Awards	1 199 000	146 000	-	(222 838)	1 122 162
	2 868 184	**2 696 796**	**(264 903)**	**(222 838)**	**5 077 239**

	2017	2016
Non-current liabilities	4 639 206	4 667 747
Current liabilities	579 121	409 492
	5 218 327	**5 077 239**

16. Trade and other payables

	2017	2016
Trade payables	1 134 049	1 537 628
Payments received in advanced	1 809 910	1 458 579
Retention	4 536 997	2 380 442
Sundry Creditors	3 671 536	1 264 434
Accrued leave pay	2 366 801	1 950 059
	13 519 293	**8 591 142**

17. Consumer deposits

	2017	2016
Electricity	714 012	691 250
Housing rental	337 599	334 640
	1 051 611	**1 025 890**

18. Revenue

	2017	2016
Service charges	19 889 514	20 521 760
Rental of facilities and equipment	228 853	247 045
Licences and permits	1 923 226	2 070 427
Other income	4 484 554	964 392
Interest received - investment	2 176 370	3 283 879
Property rates	9 829 072	9 722 820
Property rates - penalties imposed	1 045 586	728 329
Government grants & subsidies	108 783 058	65 702 359
Fines, Penalties and Forfeits	31 617 600	24 308 963
	179 977 833	**127 549 974**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

18. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	19 889 514	20 521 760
Rental of facilities and equipment	228 853	247 045
Licences and permits	1 923 226	2 070 427
Other income - (rollup)	4 484 554	964 392
Interest received - investment	2 176 370	3 283 879
	28 702 517	**27 087 503**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9 829 072	9 722 820
Property rates - penalties imposed	1 045 586	728 329
Transfer revenue		
Government grants & subsidies	108 783 058	65 702 359
Fines, Penalties and Forfeits	31 617 600	24 308 963
	151 275 316	**100 462 471**

19. Property rates

Rates received

Residential	2 477 661	2 519 491
Commercial	4 931 675	4 256 451
State	1 124 433	1 750 243
Public Service Infrustructure	20	20
Agriculture	1 129 610	1 057 044
Vacant Land	165 673	139 571
	9 829 072	9 722 820
Property rates - penalties imposed	1 045 586	728 329
	10 874 658	**10 451 149**

Valuations

Residential	396 992 000	393 052 000
Commercial	365 010 000	313 808 000
State	269 037 000	187 796 000
Municipal Properties	69 056 232	69 056 232
Place of Worship	9 835 000	9 835 000
Agriculture	927 368 000	920 330 000
Public Benefit Organisation(PBO)	320 000	320 000
Public Service Infrustructure (PSI)	91 300	91 300
Vacant Land	13 262 688	11 277 000
	2 050 972 220	**1 905 565 532**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Service charges

Service charges	81 379	101 219
Sale of electricity	18 390 461	19 066 130
Refuse removal	1 417 674	1 354 411
	19 889 514	**20 521 760**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Government grants and subsidies

Operating grants		
Equitable share	59 349 000	38 963 000
EPWP	2 161 000	2 264 000
FMG	2 738 000	1 800 000
MSIG	-	930 000
Library	738 000	723 000
Waste Grant	83 058	-
Dermacation Transition grant	6 315 000	-
	71 384 058	44 680 000
Capital grants		
MIG	28 899 000	12 904 000
Electrification	8 500 000	8 118 359
	37 399 000	21 022 359
	108 783 058	**65 702 359**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	49 434 058	26 739 359
Unconditional grants received	59 349 000	38 963 000
	108 783 058	**65 702 359**

Equitable Share

MIG

Current-year receipts	28 899 000	12 904 000
Conditions met - transferred to revenue	(28 899 000)	(12 904 000)
	-	-

INEG

Balance unspent at beginning of year	-	118 359
Current-year receipts	8 500 000	8 000 000
Conditions met - transferred to revenue	(8 500 000)	(8 118 359)
	-	-

Library

Current-year receipts	738 000	723 000
Conditions met - transferred to revenue	(738 000)	(723 000)
	-	-

EPWP

Current-year receipts	2 161 000	2 264 000
Conditions met - transferred to revenue	(2 161 000)	(2 264 000)
	-	-

Dermacation Transition Grant

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

21. Government grants and subsidies (continued)

Current-year receipts	6 315 000	-
Conditions met - transferred to revenue	(6 315 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

MSIG

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

FMG

Current-year receipts	2 738 000	1 800 000
Conditions met - transferred to revenue	(2 738 000)	(1 800 000)
	-	-

COGTA

Balance unspent at beginning of year	176 776	176 776
Conditions met - transferred to revenue	(159 642)	-
	17 134	**176 776**

Waste Grant

Current-year receipts	83 058	-
Conditions met - transferred to revenue	(83 058)	-
	-	-

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

22. Other revenue

Other income - (rollup)	4 484 554	964 392

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Other income

Profit on sale of assets	228 268	-
Sundry Income	4 070 457	861 697
Building Plan Fees	30 332	9 594
Cemetry Fees	13 952	24 314
Business Licenses	1 207	2 831
Swimming Pool	-	83
Rates Clearance Certificate	5 219	2 164
Hoardings	15 069	26 269
Photocopying	22 255	27 959
Insurance Claim	96 690	-
IT Mandary Grant	-	9 481
Rezoning	1 105	-
	4 484 554	**964 392**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. General expenses

Advertising	1 313 211	400 690
Assessment rates & municipal charges	14 107	40 226
Auditors remuneration	1 737 345	3 313 208
Bank charges	63 775	77 941
Cleaning	270 891	256 725
Pauper Burial	593 243	349 088
Consulting and professional fees	1 855 589	722 999
Consumables	420 993	310 756
Contributions to bad debt provision	28 154 501	24 277 791
Insurance	302 899	17 982
Cultural/Sports activities	1 576 069	492 418
Conferences and seminars	769 925	480 031
Consulting (Assets Unbundling)	-	106 000
IT expenses	2 043	-
Informal traders	5 210	5 691
Uthungulu Water	182 043	162 061
Indigent Support	72 167	13 394
Special Programmes	162 910	145 306
Fuel and oil	886 843	669 944
Vending System	209 048	210 907
Printing and stationery	717 209	408 145
Annual Report	133 800	141 800
Protective clothing	314 538	197 687
LED Projects	1 357 305	98 093
Security (Guarding of municipal property)	3 448 885	1 273 195
Staff welfare	470 825	93 195
Subscriptions and membership fees	510 816	560 456
Telephone and fax	1 035 746	642 965
Transport and freight	245 133	197 586
Training	1 600	-
Subsistance and travelling	1 006 497	327 836
Grants Expenditure	11 714 744	5 317 408
Refuse	370 873	328 048
Staff development	296 409	311 621
Minor Assets	486 459	395 445
Youth activities	478 167	-
Tourism development	-	104 000
Bursaries	564 465	148 460
Disaster Management	326 602	57 672
Inspection fees	2 153	1 352
Ward Committees	1 527 059	286 204
Public participation	343 595	149 777
Workmens compensation	250 400	142 442
Other expenses	3 846 769	1 323 137
	68 042 861	**44 559 682**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Employee related costs

Basic	23 455 715	18 898 245
Bonus	504 243	188 738
Medical aid - company contributions	1 256 000	1 135 193
UIF	190 871	133 995
SDL	322 355	226 967
Leave pay provision charge	359 838	-
Allowances	344 465	511 541
Overtime	1 409 660	1 099 506
Defined contribution plans	2 557 151	1 973 963
Travel, motor car, accommodation, subsistence and other allowances	2 048 462	649 581
Long-service awards	94 057	117 647
Housing benefits and allowances	651 876	46 800
	33 194 693	**24 982 176**

Remuneration of municipal manager

Annual Remuneration	1 580 947	823 196
Car Allowance	270 204	175 375
Performance Bonuses	-	79 463
Contributions to UIF, Medical and Pension Funds	2 597	1 872
Skills	18 123	10 429
Less bonuses paid from provision vote	-	(79 463)
	1 871 871	**1 010 872**

Remuneration of chief finance officer

Annual Remuneration	730 352	709 794
Car Allowance	219 862	182 570
Performance Bonuses	123 626	97 134
Contributions to UIF, Medical and Pension Funds	55 281	1 872
Skills	10 448	9 529
Other	37 953	-
Less bonus paid from provision vote	-	(97 134)
	1 177 522	**903 765**

Remuneration of Technical directors

Annual Remuneration	1 114 757	717 665
Car Allowance	303 636	165 380
Performance Bonuses	61 813	88 304
Contributions to UIF, Medical and Pension Funds	68 613	1 871
Skills	81 481	9 383
Other	23 176	-
Less bonus paid from provision vote	-	(88 304)
	1 653 476	**894 299**

Remuneration of corporate director

Annual Remuneration	782 401	-
Car Allowance	249 204	-
Contributions to UIF, Medical and Pension Funds	73 219	-
Skills	10 324	-
Other	33 192	-
	1 148 340	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Employee related costs (continued)

Remuneration of Director Community

Annual Remuneration	728 505	-
Car Allowance	232 676	-
Contributions to UIF, Medical and Pension Funds	75 713	-
Skills	10 905	-
Other	69 192	-
	1 116 991	**-**

26. Remuneration of councillors

Executive Mayor	416 592	352 195
Deputy Executive Mayor	300 531	280 794
Mayoral Committee Members	814 867	553 516
Speaker	311 029	310 150
Councillors	4 038 310	1 403 454
Councillors’ pension contribution	559 290	267 894
	6 440 619	**3 168 003**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are part-time. They are provided with an office and secretarial support at cost of the Council.

The Mayor, Speaker and Deputy Mayor each have the use of the Council owned vehicles for official use.

The Mayor and the Speaker each have two full-time bodyguards.

27. Permits and Licences

Licences	1 566 025	1 780 072
Registration	245 931	220 805
Vehicles	111 270	69 550
	1 923 226	**2 070 427**

28. Rental of Facilities and Equipments

Ranks and Stall Fees	140	210
Commonage Rent	131 548	159 090
Hire of halls	46 609	43 721
Staff Housing	33 806	34 023
	212 103	**237 044**

29. Investment revenue

Interest revenue		
Interest on Investments	2 176 370	3 283 879

30. Fair value adjustments

Biological assets - (Fair value model)	197 961	397 381

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

31. Depreciation and amortisation

Property, plant and equipment	14 356 272	5 734 769
Invesment Property	40 828	40 829
Intangible assets	39 707	33 318
	14 436 807	**5 808 916**

32. Auditors' remuneration

Fees	1 737 345	3 313 208

33. Rental of facilities and equipment

Facilities and equipment		
Renk and stall fees	140	211
Commonage Rent	148 298	169 090
Hire of Hall	46 609	43 721
Staff Housing	33 806	34 023
	228 853	**247 045**

34. Contracted services

Operating Leases	2 959 169	311 592
Law Enforcement	2 110 530	1 847 629
	5 069 699	**2 159 221**

35. Repairs and maintanance

Buildings	2 685 851	1 806 215
Computers	7 320	29 277
Street lights Thubalethu	51 000	52 900
LV HV upgrade	589 537	383 390
Street lights	76 128	62 833
Traffic Lights	75 000	-
Equipments	527 232	513 205
Roads and sidewalks	3 616 109	3 655 020
Rural grass cutting	-	88 950
Refuse site	264 000	397 314
Vehicles	529 929	785 392
Furniture	650	1 850
	8 422 756	**7 776 346**

36. Bulk purchases

Electricity	20 096 022	19 079 101

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

37. Cash generated from operations

Surplus	78 996 929	20 432 863
Adjustments for:		
Depreciation and amortisation	14 377 622	5 808 916
Fair value adjustments	(197 961)	(397 381)
Impairment deficit	66 921	-
Movements in retirement benefit assets and liabilities	195 954	(18 953)
Movements in provisions	141 088	2 209 122
Changes in working capital:		
Inventories	40 691	21 518
Consumer debtors	152 197	(724 437)
Other receivables from non-exchange transactions	(4 238 173)	(3 466 266)
Trade and other payables	4 928 151	3 832 809
VAT	(2 835 498)	(747 764)
Unspent conditional grants and receipts	(159 642)	(118 359)
Consumer deposits	25 721	6 947
	91 494 000	**26 839 015**

38. Transfer of functions between entities not under common control

Transfer of function from Ntambanana

In terms of Section 21 of the Local Government : Municipal Dermacation Act 27 of 1998, the Municipal Dermacation Board has re- determined the municipal boundaries of Ntambanana Local Municipality (KZN 283) and Mthonjaneni Local Municipality (KZN 285) as per dermacation no. DEM4154. and read together with Provincial Gazette no. 1594 (Provincial Notice 19 of 2016)

The redermacation of municipal boundaries resulted in Ntambanana Municipality being dissolved and wards redristributed to three municipalities, which are Mhlathuze, mfolozi and Mthonjaneni. On the 3rd of August 2016 local government elections took place and new council was formed which incorporate four wards from Ntambanana Municipality due to the dermacation processes. As a result of the above event Mthonjaneni Municipality received 12 employees, Assets (movable and immovables) and liabilities.The total net assets transfered to Mthonjaneni Municipality as at 10 August 2016 is R 49 367 379

Summary of net assets transfered to Mthonjaneni Municipality

Property, plant and equipment	42 722 346	-
Current tax receivable	885 283	-
Other receivables from non-exchange transactions	145 037	-
Cash and cash equivalents	6 505 691	-
Unspent conditional grants and receipts	(83 058)	-
Provisions	(89 943)	-
Trade and other Payables	(717 977)	-
	49 367 379	**-**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	13 821 538	2 850 919

Total capital commitments		
Already contracted for but not provided for	13 821 538	2 850 919

Total commitments

Total commitments		
Authorised capital expenditure	13 821 538	2 850 919

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 332 450	1 370 164
- in second to fifth year inclusive	2 336 343	2 514 624
	3 668 793	**3 884 788**

Operating lease payments represent rentals payable by the municipality in respect of switch boards line. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	122 168	140 000
- in second to fifth year inclusive	508 317	560 000
- later than five years	225 186	326 667
	855 671	**1 026 667**

Certain commonage and vacant land is held to generate rental income. Lease agreements are non-cancellable and there are no contingent rents receivable.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

40. Related parties

The following councillors and key management owe the municipality in respect of the traffic fines as at 30 June 2017.

Related party balances

S.B.K Biyela : Mayor	300	150
P.E Ntombela : Deputy Mayor	2 300	2 150
N.A Jiyane : Speaker	2 900	2 900
M.N Ndlangamandla : Councillor	4 950	4 950
H.K.L Zungu : Councillor	8 950	5 150
E.M Masikane : Councillor	1 850	350
J. Mlawu : Councillor	1 250	-
GVP Gumede : Former Councillor	-	1 350
M.E Zulu : Councillor	3 100	-
S.B Sibiya : Councillor	5 800	-
E.M Mthembu : Councillor	3 050	-
Z.A Sibiya : Councillor	400	-
D.F Xulu : Councillor	450	-
D.M.O Ngcobo : Councillor	6 050	-
T.F Zincume : Councillor	150	-
T.E Mpungose : Councillor	200	-
B.M Ndwandwe : Former Councillor	-	650
P. P Sibiya : Municipal Manager	21 150	15 800
Z.S Mthethwa : Director Community Services	5 300	-
P.M Manqele : Director Corporate Services	7 400	-
K.N Mthethwa : Chief Financial Officer	3 150	-
R. P Mnguni : Former Municipal Manager	-	14 400
P.T Xulu : Former Director Technical	-	1 150
N.W Zikhali : Former Acting Director Corporate	-	4 400
T.N Simamane : Former Chief Financial Officer	-	3 300

41. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities exposed to credit risk at year end are as follows.

Financial Liabilities	4 418 164	8 591 142

Notes to the Annual Financial Statements

41. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

Cash and Cash Equivalent	25 997 366	42 470 320
Trade and other receivables	27 477 576	23 367 574

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors which includes amongs other the following:
(a) The accounting officer continue to procure funding for the ongoing operations for the municipality.
(b) The Municipality have not loss any of key customers or principal suppliers.
(c) The municipality does not experience labour difficulties.
(d) The municipality does not have shortage of important suppliers.
(e) Financial indicators(ratios), financial results,bank account balance and net asset are all positive.

43. Unauthorised expenditure

Unauthorised expenditure	-	19 564 161
Add: Current year	-	12 056 755
	-	**31 620 916**

44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	13 085

45. Irregular expenditure

Opening balance	64 235 306	43 867 018
Add: Irregular Expenditure - current year	9 836 509	20 368 288
Less: Amounts condoned	(64 235 306)	-
	9 836 509	**64 235 306**

Analysis of expenditure awaiting condonation per age classification

Current year	9 836 509	20 368 288
Prior years	-	43 867 018
	9 836 509	**64 235 306**

Notes to the Annual Financial Statements

Figures in Rand

45. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
A bid adjudication committe should consist of atleast four Senior Managers. The Municipality's adjudication committee initially had three senior managers as a result all expenditure incured during that period through competitive bidding process became irregular.	Disciplinary steps taken / Criminal proceedings: Not necessary	9 836 509

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	418 248	284 127
Amount paid - current year	(418 248)	(284 127)
	-	-

Material Distribution losses

Units lost (Kilowats)	2 284 409	2 013 525
Units lost (Selling Price)	3 194 874	2 518 215
Units lost (Purchase Price)	1 647 198	2 255 148
Units lost (Percentage)	13.46 %	11.75 %

Audit fees

Current year subscription / fee	1 347 449	1 711 014
Amount paid - current year	(1 347 449)	(1 711 014)
	-	-

PAYE and UIF

Current year subscription / fee	6 141 429	3 865 938
Amount paid - current year	(6 141 429)	(3 865 938)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	7 730 700	5 375 939
Amount paid - current year	(7 730 700)	(5 375 939)
	-	-

VAT

VAT receivable	3 823 020	987 522

All VAT returns have been submitted by the due date throughout the year.

47. Events after the reporting date

46.1 According to GRAP 14, events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting date (adjusting events after the reporting date); and

(b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events are recognised in the financial statements of the period just ended, whereas non-adjusting events are not recognised.

The Mayor's car was involved in a car accident during July 2017. We are still awaiting the insurance to finalise the car assessment for an insurance payout.

48. Contigent Liabilities

Currently there are no pending litigation cases.

49. Budget differences

Material differences between budget and actual amounts

- Bulk Purchases:
The variance of 12% below the budget of service charges and the actual resulted from the fact that there was a reduction in electricity consumption. Residents and businesses consumed less electricity that anticipated hence the municipality reduced its bulk purchase on electricity.

-General Expenses
The variance between the budget and actual of 21% below the budget was caused by the savings made through the implementation of cost cutting measures as per the requirement of the MFMA circular 82 (Cost Containment Measures – 30 March 2016)

-Employee benefits
The variance of 26% below the budget for employee related cost was caused by the savings made on the funded posts that were not filled during the year.

- Remuneration of Councillors
The variance of 6% below the budget was due to the fact that the municipality budgeted the remuneration of councillors on Grade 3 because of the merger that was expected to take place between Ntambanana and Mthonjaneni Municipality but the municipality remained in Grade 2 hence there is under expenditure.

- Depreciation and armotisation
The variance of 88% above the budget was caused by the municipality after planning to dispose a number of assets but eventually not all of them were disposed hence the depreciation for the year became very high.

- Service Charges
A negative variance of 18% below the budget between final budget of service charges and the actual revenue from service charges resulted from the fact that there was a reduction in electricity consumption. Residents and businesses consumed less electricity than anticipated..

- Rental of facilities and equipment
The variance between actual and budget of 57% below the budget for rental of facilities was due to the fact that some facilities were not utilised as anticipated by the municipality..

49. Budget differences (continued)

- Licences and permits
The variance between actual and the final budget of 24% below the budget for licenses and permits was due to the fact that the municipality did not manage to issue as much of licences and permits as targeted. This is beyond the control of the municipality as licences and permits depend on how many people needed them during the financial year..

- Interest on investments
The variance between the budget and actual of 39% below the budgeted amount was caused by the reduction in investments to fund the adjustments budget for 2016/17 financial year.

50. Unaudited Supplementary Schedules

The supplementary Information presented below does not form part of the Annual Financial Statements and is unaudited.

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	2 562 011	85 965	-	-	-	-	**2 647 976**	-	-	-	-	-	-	2 647 976
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	49 060 255	10 182 189	(87 384)	34 887 776	-	(12 467)	**94 030 369**	(10 084 804)	16 645	-	(7 161 039)	12 467	**(17 216 731)**	76 813 638
	51 622 266	**10 268 154**	**(87 384)**	**34 887 776**	**-**	**(12 467)**	**96 678 345**	**(10 084 804)**	**16 645**	**-**	**(7 161 039)**	**12 467**	**(17 216 731)**	**79 461 614**
Infrastructure														
Roads, Pavements & Bridges	77 553 693	-	-	-	-	-	**77 553 693**	(5 323 651)	-	-	(2 092 903)	-	**(7 416 554)**	70 137 139
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	48 605 364	72 000	(144 378)	-	-	-	**48 532 986**	(4 976 477)	96 956	-	(1 403 072)	-	**(6 282 593)**	42 250 393
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	308 510	-	-	-	-	-	**308 510**	(63 908)	-	-	(13 865)	-	**(77 773)**	230 737
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	126 467 567	**72 000**	**(144 378)**	**-**	**-**	**-**	**126 395 189**	**(10 364 036)**	**96 956**	**-**	**(3 509 840)**	**-**	**(13 776 920)**	**112 618 269**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	945 750	-	-	-	-	-	**945 750**	(787 725)	-	-	(58 615)	-	**(846 340)**	99 410
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	945 750	**-**	**-**	**-**	**-**	**-**	**945 750**	**(787 725)**	**-**	**-**	**(58 615)**	**-**	**(846 340)**	**99 410**

Mthonjaneni Local Municipality
Mthonjaneni Local Municipality
Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	589	-	-	-	-	-	**589**	-	-	-	-	-	-	589
	589	**-**	**-**	**-**	**-**	**-**	**589**	**-**	**-**	**-**	**-**	**-**	**-**	**589**
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
General vehicles	10 112 134	6 543 922	(1 735 272)	-	-	-	**14 920 784**	(5 546 916)	815 857	-	(1 529 908)	-	**(6 260 967)**	8 659 817
Plant & equipment	1 855 420	1 117 276	(719 673)	-	-	-	**2 253 023**	(710 872)	433 716	-	(283 394)	-	**(560 550)**	1 692 473
Computer Equipment	720 882	459 239	(461 830)	-	-	-	**718 291**	(442 188)	313 392	-	(128 825)	-	**(257 621)**	460 670
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	739 688	1 973 038	(36 923)	-	-	-	**2 675 803**	(577 046)	30 798	-	(264 258)	-	**(810 506)**	1 865 297
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	23 025 434	54 390 734	-	(8 879 340)	-	**7 859 386**	**76 396 214**	-	-	-	-	-	-	76 396 214
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	36 453 558	**64 484 209**	**(2 953 698)**	**(8 879 340)**	**-**	**7 859 386**	**96 964 115**	**(7 277 022)**	**1 593 763**	**-**	**(2 206 385)**	**-**	**(7 889 644)**	**89 074 471**

Mthonjaneni Local Municipality
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Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	51 622 266	10 268 154	(87 384)	34 887 776	-	(12 467)	96 678 345	(10 084 804)	16 645	-	(7 161 039)	12 467	(17 216 731)	79 461 614
Infrastructure	126 467 567	72 000	(144 378)	-	-	-	126 395 189	(10 364 036)	96 956	-	(3 509 840)	-	(13 776 920)	112 618 269
Community Assets	945 750	-	-	-	-	-	945 750	(787 725)	-	-	(58 615)	-	(846 340)	99 410
Heritage assets	589	-	-	-	-	-	589	-	-	-	-	-	-	589
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	36 453 558	64 484 209	(2 953 698)	(8 879 340)	-	7 859 386	96 964 115	(7 277 022)	1 593 763	-	(2 206 385)	-	(7 889 644)	89 074 471
	215 489 730	**74 824 363**	**(3 185 460)**	**26 008 436**	**-**	**7 846 919**	**320 983 988**	**(28 513 587)**	**1 707 364**	**-**	**(12 935 879)**	**12 467**	**(39 729 635)**	**281 254 353**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	2 661 915	-	-	-	197 961	-	2 859 876	-	-	-	-	(66 921)	(66 921)	2 792 955
	2 661 915	**-**	**-**	**-**	**197 961**	**-**	**2 859 876**	**-**	**-**	**-**	**-**	**(66 921)**	**(66 921)**	**2 792 955**
Intangible assets														
Computers - software & programming	218 543	36 563	(31 843)	-	-	-	223 263	(119 545)	16 882	-	(39 707)	-	(142 370)	80 893
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	218 543	**36 563**	**(31 843)**	**-**	**-**	**-**	**223 263**	**(119 545)**	**16 882**	**-**	**(39 707)**	**-**	**(142 370)**	**80 893**
Investment properties														
Investment property	2 742 760	-	-	-	-	-	2 742 760	(375 168)	-	-	(40 829)	-	(415 997)	2 326 763
	2 742 760	**-**	**-**	**-**	**-**	**-**	**2 742 760**	**(375 168)**	**-**	**-**	**(40 829)**	**-**	**(415 997)**	**2 326 763**
Total														
Land and buildings	51 622 266	10 268 154	(87 384)	34 887 776	-	(12 467)	96 678 345	(10 084 804)	16 645	-	(7 161 039)	12 467	(17 216 731)	79 461 614
Infrastructure	126 467 567	72 000	(144 378)	-	-	-	126 395 189	(10 364 036)	96 956	-	(3 509 840)	-	(13 776 920)	112 618 269
Community Assets	945 750	-	-	-	-	-	945 750	(787 725)	-	-	(58 615)	-	(846 340)	99 410
Heritage assets	589	-	-	-	-	-	589	-	-	-	-	-	-	589
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	36 453 558	64 484 209	(2 953 698)	(8 879 340)	-	7 859 386	96 964 115	(7 277 022)	1 593 763	-	(2 206 385)	-	(7 889 644)	89 074 471
Agricultural/Biological assets	2 661 915	-	-	-	197 961	-	2 859 876	-	-	-	-	(66 921)	(66 921)	2 792 955
Intangible assets	218 543	36 563	(31 843)	-	-	-	223 263	(119 545)	16 882	-	(39 707)	-	(142 370)	80 893
Investment properties	2 742 760	-	-	-	-	-	2 742 760	(375 168)	-	-	(40 829)	-	(415 997)	2 326 763
	221 112 948	**74 860 926**	**(3 217 303)**	**26 008 436**	**197 961**	**7 846 919**	**326 809 887**	**(29 008 300)**	**1 724 246**	**-**	**(13 016 415)**	**(54 454)**	**(40 354 923)**	**286 454 964**

Mthonjaneni Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	2 562 011	-	-	-	-	-	**2 562 011**	-	-	-	-	-	-	2 562 011
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	41 557 980	20 398	-	7 481 876	-	-	**49 060 254**	(8 615 153)	-	-	(1 469 789)	-	**(10 084 942)**	38 975 312
	44 119 991	**20 398**	**-**	**7 481 876**	**-**	**-**	**51 622 265**	**(8 615 153)**	**-**	**-**	**(1 469 789)**	**-**	**(10 084 942)**	**41 537 323**
Infrastructure														
Roads, Pavements & Bridges	62 740 189	-	-	14 813 500	-	-	**77 553 689**	(3 668 162)	-	-	(1 655 489)	-	**(5 323 651)**	72 230 038
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	34 841 031	395 950	13 368 383	-	-	-	**48 605 364**	(3 708 112)	-	-	(1 268 364)	-	**(4 976 476)**	43 628 888
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	308 510	-	-	-	-	-	**308 510**	(50 043)	-	-	(13 865)	-	**(63 908)**	244 602
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	97 889 730	**395 950**	**13 368 383**	**14 813 500**	**-**	**-**	**126 467 563**	**(7 426 317)**	**-**	**-**	**(2 937 718)**	**-**	**(10 364 035)**	**116 103 528**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	945 750	-	-	-	-	-	**945 750**	(539 255)	-	-	(58 605)	-	**(597 860)**	347 890
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	945 750	**-**	**-**	**-**	**-**	**-**	**945 750**	**(539 255)**	**-**	**-**	**(58 605)**	**-**	**(597 860)**	**347 890**

Mthonjaneni Local Municipality
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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	588	-	-	-	-	-	**588**	-	-	-	-	-	-	588
	588	**-**	**-**	**-**	**-**	**-**	**588**	**-**	**-**	**-**	**-**	**-**	**-**	**588**
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
General vehicles	8 546 839	618 685	-	-	-	-	**9 165 524**	(3 233 946)	-	-	(926 568)	-	**(4 160 514)**	5 005 010
Plant & equipment	1 551 273	295 547	-	-	-	-	**1 846 820**	(523 721)	-	-	(186 578)	-	**(710 299)**	1 136 521
Computer Equipment	663 247	57 635	-	-	-	-	**720 882**	(363 389)	-	-	(78 799)	-	**(442 188)**	278 694
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	720 792	18 895	-	-	-	-	**739 687**	(500 746)	-	-	(76 300)	-	**(577 046)**	162 641
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	26 485 034	32 216 627	-	(35 663 760)	-	-	**23 037 901**	-	-	-	-	-	-	23 037 901
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	37 967 185	**33 207 389**	**-**	**(35 663 760)**	**-**	**-**	**35 510 814**	**(4 621 802)**	**-**	**-**	**(1 268 245)**	**-**	**(5 890 047)**	**29 620 767**

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	44 119 991	20 398	-	7 481 876	-	-	**51 622 265**	(8 615 153)	-	-	(1 469 789)	-	**(10 084 942)**	41 537 323
Infrastructure	97 889 730	395 950	13 368 383	14 813 500	-	-	**126 467 563**	(7 426 317)	-	-	(2 937 718)	-	**(10 364 035)**	116 103 528
Community Assets	945 750	-	-	-	-	-	**945 750**	(539 255)	-	-	(58 605)	-	**(597 860)**	347 890
Heritage assets	588	-	-	-	-	-	**588**	-	-	-	-	-	**-**	588
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	37 967 185	33 207 389	-	(35 663 760)	-	-	**35 510 814**	(4 621 802)	-	-	(1 268 245)	-	**(5 890 047)**	29 620 767
	180 923 244	**33 623 737**	**13 368 383**	**(13 368 384)**	**-**	**-**	**214 546 980**	**(21 202 527)**	**-**	**-**	**(5 734 357)**	**-**	**(26 936 884)**	**187 610 096**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Biological assets	2 264 535	-	-	-	397 380	-	**2 661 915**	-	-	-	-	-	**-**	2 661 915
	2 264 535	**-**	**-**	**-**	**397 380**	**-**	**2 661 915**	**-**	**-**	**-**	**-**	**-**	**-**	**2 661 915**
Intangible assets														
Computers - software & programming	211 544	6 999	-	-	-	-	**218 543**	(86 227)	-	-	(33 318)	-	**(119 545)**	98 998
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	211 544	**6 999**	**-**	**-**	**-**	**-**	**218 543**	**(86 227)**	**-**	**-**	**(33 318)**	**-**	**(119 545)**	**98 998**
Investment properties														
Investment property	2 742 760	-	-	-	-	-	**2 742 760**	(334 339)	-	-	(40 829)	-	**(375 168)**	2 367 592
	2 742 760	**-**	**-**	**-**	**-**	**-**	**2 742 760**	**(334 339)**	**-**	**-**	**(40 829)**	**-**	**(375 168)**	**2 367 592**
Total														
Land and buildings	44 119 991	20 398	-	7 481 876	-	-	**51 622 265**	(8 615 153)	-	-	(1 469 789)	-	**(10 084 942)**	41 537 323
Infrastructure	97 889 730	395 950	13 368 383	14 813 500	-	-	**126 467 563**	(7 426 317)	-	-	(2 937 718)	-	**(10 364 035)**	116 103 528
Community Assets	945 750	-	-	-	-	-	**945 750**	(539 255)	-	-	(58 605)	-	**(597 860)**	347 890
Heritage assets	588	-	-	-	-	-	**588**	-	-	-	-	-	**-**	588
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	37 967 185	33 207 389	-	(35 663 760)	-	-	**35 510 814**	(4 621 802)	-	-	(1 268 245)	-	**(5 890 047)**	29 620 767
Agricultural/Biological assets	2 264 535	-	-	-	397 380	-	**2 661 915**	-	-	-	-	-	**-**	2 661 915
Intangible assets	211 544	6 999	-	-	-	-	**218 543**	(86 227)	-	-	(33 318)	-	**(119 545)**	98 998
Investment properties	2 742 760	-	-	-	-	-	**2 742 760**	(334 339)	-	-	(40 829)	-	**(375 168)**	2 367 592
	186 142 083	**33 630 736**	**13 368 383**	**(13 368 384)**	**397 380**	**-**	**220 170 198**	**(21 623 093)**	**-**	**-**	**(5 808 504)**	**-**	**(27 431 597)**	**192 738 601**

Mthonjaneni Local Municipality
Appendix C
June 2017

Segmental analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	21 144 263	10 182 189	(87 384)	-	-	-	**31 239 068**	(7 741 199)	16 645	-	(4 439 558)	-	**(12 164 112)**	19 074 956
Finance & Admin/Finance	1 133 979	214 000	-	5 328 352	-	-	**6 676 331**	(274 044)	-	-	(33 473)	-	**(307 517)**	6 368 814
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	21 881 309	6 049 406	(2 953 698)	34 887 776	-	-	**59 864 793**	(2 626 176)	2 312 559	-	(3 654 523)	-	**(3 968 140)**	55 896 653
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	3 986 663	197 000	-	-	-	-	**4 183 663**	(818 367)	-	-	(350 503)	-	**(1 168 870)**	3 014 793
Sport and Recreation	2 191 827	-	-	-	-	-	**2 191 827**	(109 944)	-	-	(31 628)	-	**(141 572)**	2 050 255
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	3 152 620	1 100 000	-	-	-	-	**4 252 620**	(349 816)	-	-	(40 743)	-	**(390 559)**	3 862 061
Road Transport/Roads	119 418 481	30 953 416	-	7 859 386	-	-	**158 231 283**	(7 643 090)	12 468	-	(3 902 852)	-	**(11 533 474)**	146 697 809
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	41 621 779	20 800 000	(144 378)	(8 879 340)	-	-	**53 398 061**	(7 362 198)	96 956	-	(1 843 807)	-	**(9 109 049)**	44 289 012
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	214 530 921	**69 496 011**	**(3 185 460)**	**39 196 174**	**-**	**-**	**320 037 646**	**(26 924 834)**	**2 438 628**	**-**	**(14 297 087)**	**-**	**(38 783 293)**	**281 254 353**
Municipal Owned Entities														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Municipality	214 530 921	69 496 011	(3 185 460)	39 196 174	-	-	**320 037 646**	(26 924 834)	2 438 628	-	(14 297 087)	-	**(38 783 293)**	281 254 353
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Mthonjaneni Local Municipality
Appendix C
June 2017

Segmental analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
214 530 921	**69 496 011**	**(3 185 460)**	**39 196 174**	**-**	**-**	**320 037 646**	**(26 924 834)**	**2 438 628**	**-**	**(14 297 087)**	**-**	**(38 783 293)**	**281 254 353**

Segmental Statement of Financial Performance for the year ended

Prior Year (30 June 2016)				Current Year (30 June 2017)		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	10 283 648	(10 283 648)	Executive & Council/Mayor and Council	-	10 963 000	(10 963 000)
59 622 472	34 615 493	25 006 979	Finance & Admin/Finance	83 667 039	54 715 604	28 951 435
-	-	-	Planning and Development/Economic Development/Plan	-	-	-
-	-	-	Health/Clinics	-	-	-
40 270	9 592 645	(9 552 375)	Comm. & Social/Libraries and archives	780 000	21 915 000	(21 135 000)
-	-	-	Housing	-	-	-
370 055	17 950 662	(17 580 607)	Public Safety/Police	22 516 000	15 708 000	6 808 000
-	-	-	Sport and Recreation	-	-	-
-	-	-	Environmental Protection/Pollution Control	-	-	-
1 354 411	1 841 566	(487 155)	Waste Water Management/Sewerage	1 088 000	1 995 000	(907 000)
39 283 389	10 842 421	28 440 968	Road Transport/Roads	40 724 794	21 967 853	18 756 941
-	-	-	Water/Water Distribution	-	-	-
26 879 376	22 407 010	4 472 366	Electricity /Electricity Distribution	31 202 000	28 439 000	2 763 000
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
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-	-	-		-	-	-
127 549 973	**107 533 445**	**20 016 528**		**179 977 833**	**155 703 457**	**24 274 376**
			Municipal Owned Entities			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
			Other charges			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	**-**	**-**		**-**	**-**	**-**
127 549 973	107 533 445	20 016 528	Municipality	179 977 833	155 703 457	24 274 376
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Mthonjaneni Local Municipality
Appendix D
June 2017

Segmental Statement of Financial Performance for the year ended

Prior Year (30 June 2016)				Current Year (30 June 2017)		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
127 549 973	**107 533 445**	**20 016 528**	**Total**	**179 977 833**	**155 703 457**	**24 274 376**